

**QUARTERLY PROGRESS
REPORT AND FINANCIAL
SUMMARY**

APRIL TO JUNE 2005

**LOCAL GOVERNMENT
REFORM PROJECT II/CROATIA**

Prepared for



Local Government Reform Project II/Croatia
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Contract No.:	160-C-00-03-00104-00
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BACKGROUND

The purpose of this contract is to implement the Local Government Reform Project II, which addresses the various components of the system of local government in Croatia. The project has five components: 1) National Local Government Policy Dialogue and Reform, 2) Advocacy of Local Government Interests, 3) Development of a Market for Local Government Consulting Services, 4) Technical Assistance, and 5) Training (study tours and public administration program development). The project is intended to assist central and local institutions in Croatia to work toward greater decentralization, transparency, and improved fiscal and management practices among local governments. This report is organized around the five components of the project described in the project's statement of work. The activities under each component are listed in chronological order.

I. HIGHLIGHTS

COMPONENT 1: NATIONAL LOCAL GOVERNMENT POLICY DIALOGUE AND REFORM

- In order to enhance national policy on local governments, LGRP met with representatives of the Croatian Social Democratic Party (SDP Party) in June to present LGRP's management models (at their request). SDP expressed an interest in helping increase the capacity of local governments, especially those managed by mayors and councils affiliated with SDP. LGRP expressed its readiness to share materials on management practices and assist LGRP-trained consultants in preparing a presentation for the convention. The convention was held at the end of June and included a presentation of LGRP's management models delivered by representatives of the Association of Local and Regional

Governments (HUKON). Among the decisions made at the convention was that SDP mayors should have an obligation to implement citizen participation tools.

- Another activity enhancing national local government policy dialogue and reform was a meeting with Joao Oliveira, World Bank representative, to discuss the decentralization process. Mr. Oliveira presented a memo to the Government of Croatia (GoC), in which he emphasized the need to proceed with decentralization and strongly recommended that the GoC take steps in this direction: adopt the Organizational Guidelines developed by LGRP, create Expert Groups suggested by LGRP and develop an action plan.
- In order to contribute to national local government policy, Momo Kuzmanovic and the LGRP-trained Citizen Participation (CP) consultant Anton Vidas participated in a national conference "Youth and Society in Transition. " The goal was to present LGRP's Youth Councils as a citizen participation tool and to participate in a discussion on a draft proposal for a Youth Councils Law prepared by the Ministry of the Family, Veteran Affairs and Intergenerational Solidarity. The presentation on youth councils focused mainly on the City Youth Council in Slatina developed within LGRP's Citizen Participation Model. The Slatina case was also presented at an exhibition during the reception and also during a group discussion of the draft proposal of the Youth Councils Law. LGRP's best practice examples of youth council implementation in local governments (Slatina, Oroslavlje and Donja Stubica) were recognized by participants in the conference as the most interesting in several components: defined election procedures, established successful cooperation between local governments, school and youth representatives, involvement of more than 1,000 young people ages 12-16 in the process. The conference was concluded with an agreement to follow up with detailed comments on the draft proposal for a Youth Councils Law in Croatia. The comments will be developed by the Association of Local Government Consultants (HUKON) and citizen participation consultants.
- In order to influence national local government policy, the citizen participation team prepared guidelines for consultants participating in the Annual Convention of the Croatian Social Democratic Party (SDP) in June 2005. Citizen participation in local governments was included on the Convention's agenda and LGRP's Citizen Participation Manual was featured.
- In order to obtain information on other activities affecting local government policy, LGRP's task managers participated in a World Bank presentation on the Strategy for Croatia in May. There was a general presentation on the Croatian Aid Strategy (CAS), which amounts to \$1.5 billion in World Bank loans over four years. A large part of the CAS (over 50%) will be allocated to public administration and fiscal administration reform, which includes infrastructure support (e.g. train systems etc.)
- Bill Kugler assisted the Budget Preparation Department (BPD) of the Ministry of Finance (MOF) and the EU Delegation Sector Manager for Public Administration in revising the terms of reference for the 1.5 million-Euro EU Fiscal Decentralization Project. The project's objective is to build the capacity of the BPD/MOF to head the Experts Group for Fiscal Decentralization of the Decentralization Commission through technical assistance and training. Due to the EU Delegation's inability to immediately contract a consultant to undertake the previously planned "bridging" contract, the TOR had to be revised to include both the "bridging contract" and a "main contract". The EU Delegation has now



approved the TOR and is conducting procurement. The project is expected to commence in November 2005 and run through December 2006.

- Pending USAID review, the LGRP completed a joint study with the Institute of Public Finance entitled "Implications of European Union Accession for Local Government in Croatia". This study includes chapters on regional policy and coordination of structural instruments and the environment.
- The in-depth analysis of the legal bases for asset management is continuing and substantial progress has been made in defining the priority needs of local governments and LGRP-trained consultants. Among them are the need for additional information on the legal bases of asset management and practical guidance for their implementation. The outline of the study and guidelines has been agreed on and detailed documents are being drafted.
- LGRP representatives met with Ritva Heikkinen, EC representative, during a joint meeting at the State Office for State Administration to discuss their common approach to decentralization. EC plans to launch two projects: a fiscal decentralization project (with the Ministry of Finance, see above) and an "administrative" decentralization project. Both parties agreed that they would closely coordinate their activities (and also coordinate activities with other donors, like the World Bank, Council of Europe, and OSI) and work with the Office on decentralization.
- Maris Mikelsons, LGRP CoP, prepared draft Operational Guidelines for the Office of State Administration to consider using as a blueprint for advancing the work of the Decentralization Commission. These Guidelines are intended to provide the Decentralization Commission with an organizational and operational framework to proceed with their work.
- During the reporting period, Maris Mikelsons also met with Joao Oliveira, World Bank representative, to discuss collaboration between the World Bank and the LGRP on advancing decentralization. During his two-week visit to Croatia, Mr. Oliveira produced an Aide-memorandum on how to support the decentralization process as put forth by the LGRP. He received support from the Office of State Administration and the Ministry of Finance for the Aide-memorandum.

COMPONENT 2: ADVOCACY OF LOCAL GOVERNMENT INTERESTS

Union of Association of Cities and Association of Municipalities (SAVEZ)

The Union of Association of Cities and Association of Municipalities (SAVEZ) continues to have great potential as an umbrella association that can strengthen the voice of local governments. Progress has been made toward focusing on the issue of advocacy and policy development. The LGRP will continue to support the association's staff and leadership to expand the association's role as a true representative of local governments and a strong contributor to decentralization in Croatia.

In 2004, the focus of LGRP's assistance was on increasing the knowledge base and skills of SAVEZ's staff and leadership in the area of policy development and advocacy, while at the same time establishing a good

working relationship with them. The policy workshop in July 2004 and advocacy study tour in September 2004 provided both the staff and the leadership with a foundation for the preparation of legislative agendas with input from representative members, which is important to SAVEZ's efforts to promote legislation.

SAVEZ's Relationship with the Central State Office for Administration (CSOA)

LGRP promoted a close relationship between SAVEZ and the Office for State Administration (State Office) throughout 2004 and these efforts first showed significant results in late 2004. SAVEZ and the State Office agreed on the need to establish a partnership and drafted a partnership agreement. Shortly thereafter, SAVEZ was recognized as a partner and three SAVEZ representatives were appointed to the Decentralization Commission by a decision of the Government of Croatia. Through this appointment, SAVEZ was given the opportunity to directly advocate to the government and influence government decisions on functional and fiscal decentralization.

During SAVEZ'S Assembly meeting in 2004, local government representatives (members of SAVEZ) expressed their wish to be given a chance to comment on draft laws of importance for local governments prior to government sessions and/or submission of the draft law into parliamentary procedure. LGRP took on the task to explain to the State Office the need to involve SAVEZ, as a representative of local governments in Croatia, in the preparation of draft legislation that will have a direct influence on local governments.

LGRP was very successful in these efforts and SAVEZ, for the first time, was given the opportunity to provide comments on the draft Law on Local and Regional Government prior to the government's discussion on the proposed legislation.

Through this joint advocacy effort, the Government of Croatia decided to institutionalize the award for "Best Practice in Local Governance." The Government of Croatia would give the award to a local government selected by SAVEZ. It was also decided to establish a Local Government (Democracy) Academy, an official training institution for local government officials and public servants, and to develop the training curriculum jointly with SAVEZ.

In March 2005, the Government of Croatia, SAVEZ and the Council of Europe jointly awarded participants in the "Best Practice" project. LGRP will assist SAVEZ to disseminate the examples of Best Practice through the media and other channels.

Activities During This Reporting Period

SAVEZ continues to have a productive relationship with the Central State Office for Administration (CSOA) with limited support from LGRP.

In June 2005, the State Office prepared a final draft of the Law on Local and Regional Governments based on comments received during the first reading of the draft law in parliament. Prior to sending it into governmental procedure, the State Office once again requested comments on the final draft from the Government's Office for Legislation, the Ministry of European Integration, the Ministry of Finance and SAVEZ, as an equal partner among the entities given the opportunity to comment on the law. Based on



comments from SAVEZ, CSOA agreed to decentralize authority over parking regulations to all cities and municipalities. Based on a draft policy statement on construction/location permitting prepared by SAVEZ and LGRP, SAVEZ requested that permitting also be decentralized to all cities. However, CSOA agreed to decentralize construction/location permitting to large cities only. A final decision on the decentralization of authority over parking regulations and construction/location permitting will be announced by Parliament most likely in the fall of 2005.

CSOA also asked for SAVEZ's comments on the new draft Law on Election of Head of Municipalities, Mayors and County Prefects.

On May 25, 2005, SAVEZ and CSOA jointly implemented a seminar on "Public Administration in Practice" for approximately 50 local government professionals from 25 local governments from Sibensko-Kninska, Zadarska and Licko-Senjska counties in the City of Knin. The seminar covered issues related to the practical implementation of regulations on public office procedures, therefore directly addressing members' requests for guidelines/advice on new regulations.

Improvements in Communication

In 2004, LGRP did not attempt to work with SAVEZ directly on communication issues because other donors had expressed willingness to work in this area. However, those efforts by other donors did not progress as hoped. Therefore, this year, LGRP provided assistance in the area of communication with members, which will support the development of advocacy activities.

Some of the basic but very important communications tools had been underutilized and could have been improved, especially in terms of their accessibility to a target audience. The website, for instance, did not contain updated information on SAVEZ's activities, leadership or members. Furthermore, SAVEZ's newsletter could be improved. A survey conducted among SAVEZ's members revealed that a large number of them were not receiving sufficient information about SAVEZ and its activities. Therefore, communication issues had to be addressed.

Although other SAVEZ partners, such as UNDP, tried to address communication issues, SAVEZ was reluctant to proceed with the suggested improvements. LGRP and ICMA provided suggestions for the improvement of communication tools to SAVEZ staff based on practical experience and emphasized the importance of keeping members informed, in order to retain and expand SAVEZ's membership base, improve the organization's visibility and gain support for its advocacy efforts. As of April 2005, SAVEZ has introduced improvements to its bulletin and has completely re-designed its website.

Advocacy Based on Policy Statements

Advocacy of local government interests with the central government is a complex effort. For it to be effective, certain mechanisms must be in place. Specifically, leadership and staff of the organization must have a good understanding of the advocacy process and certain advocacy skills. In addition, some level of dialogue between the organization and the central government should be established, and the organization and its members should speak on local government issues with a unified voice.

Several of these issues have been addressed during the last two quarters.

1) Advocacy skills

A survey completed by SAVEZ's members revealed that advocacy is the second most demanded service. SAVEZ's staff and leadership have received limited training on advocacy to generally understand the concept and agree to include advocacy as one of the organization's services. SAVEZ's advocacy efforts were thwarted by local elections that took place in May 2005, as they changed the organization's leadership structure.

2) Dialogue Between the Central Government and SAVEZ

Formal dialogue between the central government and SAVEZ was established following a joint study tour of SAVEZ and CSOA to Richmond, Virginia. Three members of SAVEZ were appointed to the Decentralization Commission by decision of Government of Croatia. Furthermore, CSOA is actively seeking SAVEZ's comments on laws related to local governments that are within CSOA's jurisdiction. SAVEZ also has a permanent representative on the Parliamentary Committee on Local Government. He serves an advisory role and has no voting rights.

3) Policy Statements

In order for an organization to advocate for its members' interests with a unified voice, it is necessary to articulate individual positions within the organization in policy statements. Members of the organization must reach a consensus on specific policy statements in order to make it possible for the majority of members and the organization itself to advocate on specific issue with a unified voice. Policy statements must be shared with the members for comments and suggestions and then formally adopted by the organization. This is a very important process because in specific cases it may reveal that members cannot reach a consensus on proposed issues. For example, member cities may call for a reduction in the number of local governments (which may put numerous municipalities out of existence), while member municipalities may fiercely argue against such a proposal. In such cases, it would be advisable not to prepare a policy statement as it may have a negative impact on the organization's credibility and sustainability (membership and revenue base).

SAVEZ's member survey revealed that among the most important advocacy topics are the decentralization of functions, finance, construction permitting, environment protection, social policy, and city police. LGRP agreed to assist SAVEZ in developing policy statements on construction and location permitting (which also falls under the decentralization of functions category), program amendments (finance, decentralization), shared tax revenues distribution (finance), and city police.

During the reporting period, Ann Bueche (ICMA), Mark Flynn (Virginia Municipal League (VML), pro bono advocacy advisor) and Dario Runtic (LGRP) met with SAVEZ staff and members, as well as with LGRP experts, to further discuss issues related to the above-mentioned policy statements.



Interviews were conducted with Maris Mikelsons, Bill Kugler, Gordon Yurich and Hrvoje Bertovic of LGRP; Jerka Kezele, Chief Finance City of Varazdin; Ivica Malatestinic, Mayor City of Crikvenica; officials from the Ministry of Interior Affairs; and Katarina Ott, Institute for Public Finance. SAVEZ staff also conducted their own research and interviews with selected members.

Based on the information collected, Ann Bueche and Mark Flynn prepared initial draft of policy statements for SAVEZ's review. Prior to sharing the reviewed policy statements with all members, the policy statement on construction/location permitting was presented to the Presidency (Executive Board) of SAVEZ, seeking comments on the statement and approval to continue with the policy process. The Presidency of the union provided valuable comments and agreed to proceed with the policy process as defined by the LGRP. It is interesting to note that the Croatian Union of Fire-fighters has approached SAVEZ's Presidency and asked for support in proposing changes to the Law on Local Government Finance pertaining to equal financing of fire fighters in all local governments. The Presidency supported the proposal and asked the Croatian Union of Fire-fighters to provide additional information.

Due to the constituting of local councils and the election of mayors which took place in the period May 15-June 20 (in several localities, this process was not completed at the time of the preparation of this report), it was not appropriate to expose policy statements to members, since very low or no feedback was expected. Therefore, it was decided to send the policy statements during the second half of June and collect comments and examples by the end of June when Mark Flynn was scheduled to return to Croatia and incorporate comments into the final drafts of the policy statements.

Annual Assembly

Assembly management is a big part of the services any association provides. The annual assembly serves as the one event during the year when all members can come together to share information and discuss topics of common concern.

SAVEZ's 2004 Assembly gathered over 100 local government representatives who raised the issue of the importance of decentralization and adopted Strategic Guidelines for 2005-2010. Although the leadership of SAVEZ encouraged members to advocate for local government interests, they were not provided with universally agreed upon policy statements. Furthermore, there was virtually no media presence at the Assembly. These are the two issues that must be addressed for advocacy efforts to be effective and for SAVEZ to receive broader recognition for its efforts.

The upcoming Annual Assembly is of special importance, as the new leadership of SAVEZ will be selected for a mandate of four years. To increase the visibility of SAVEZ, its Annual Assembly and advocacy efforts, LGRP planned a joint meeting with all mayors-parliamentarians for the end of June. Due to the busy schedules of the participants, the meeting had to be postponed until July.

LGRP met with Mr. Boris Hajos of the **Croatian Association for Public Relations** and discussed a possible approach for utilizing public relations (PR) firms or consultants to attract media to the Assembly and requested recommendations for firms with experience working with local officials, media or other high level officials. It was concluded that a possible approach would include preparatory work with SAVEZ and

the media, a timely announcement of the Assembly, a press conference following the election of SAVEZ's new leadership and follow-up regional press conferences to further promote SAVEZ's policy statements. Nevertheless, PR firms should be asked to propose their vision of a possible approach based on their experience. LGRP will meet with Madison Consulting in early July to discuss this further.

Orientation for SAVEZ's New Leadership

The new leadership of SAVEZ will be elected in October at the 2005 Annual Assembly for a four-year mandate. In order to bring newly elected leaders up to speed on advocacy efforts and provide education on advanced advocacy efforts to leaders who are retaining their position, LGRP and its partners will organize an orientation. LGRP will also address the issue of roles and responsibilities of staff and leaders because it seems that there is a lack of clarity on this issue.

The orientation will cover issues, such as the importance of the Local Government Association in advocacy; staff roles and responsibilities; strategic goals and budget; policy and advocacy; and others

Local Elections Guide

In light of the upcoming local elections, the citizen advocacy group GONG decided to release a Local Elections Guide that explained the functions and organizational structure of local and regional governments, the electoral process, and citizen participation in local governments. LGRP helped review the content of the publication and gave suggestions for improvement. The publication was printed in 500,000 copies and distributed to citizens through six national and regional daily newspapers, as well as directly. LGRP financed the distribution of the Guide as a newspaper insert.

Public Debate on Local Government Issues

LGRP has discussed with GONG participation in public debates (roundtables) on local government issues as identified in SAVEZ's policy statements. SAVEZ has scheduled a wide range of activities for the last calendar quarter of 2005 and therefore has only limited capacity to initiate public debate on a broader scale. GONG has good working relationships with members of parliament, the media and local government representatives. Its participation in public debate, mainly in the organization and facilitation of roundtables, would offset SAVEZ's current limited capacity to implement broad-scale public debates for media and government representatives, members of parliament and local governments.

A scope of work for the implementation of two roundtables in September for members of SAVEZ only (to collect broader input on SAVEZ's policy statements) and up to eight roundtables during the last calendar quarter of 2005 was sent to GONG for review.

Research Organizations

Local government finance is one of the top three critical issues for local governments according to SAVEZ's member survey. LGRP and SAVEZ have decided to research possible methods of improving local fiscal autonomy by addressing shared tax revenues as a major source of local revenues.



Several local government officials proposed possible approaches for addressing shared tax revenues, but none of these seemed to be supported by figures and/or independent research. Therefore, SAVEZ and LGRP decided to ask the Institute of Public Finance (IPF) or Economics Institute to carry out an analysis of shared taxes and to provide simulations for the impact of revisions to the existing system of local finance and central budget.

The scope of work was submitted to IPF and a response is pending. Based on the results of the analysis, SAVEZ will propose a policy statement on local finance and will initiate a discussion among members to find an acceptable solution. A policy statement on shared taxes will also be proposed at SAVEZ's Assembly and promoted in public through the media and roundtables with members of parliament, government representatives, and other relevant stakeholders.

COMPONENT 3: DEVELOPMENT OF A MARKET FOR LOCAL GOVERNMENT CONSULTING SERVICES

Consultancy Market

The Contracting Phase of the Cost-Share Program II (CSP II) ended on March 31, 2005. The LGRP is no longer accepting contracts under the program to support the work of LGRP-trained consultants. Currently, CSP II is in its Implementation Phase. In the period between March 31, 2005 and March 31, 2006, all consultants are required to submit any outstanding contractual documentation, work with local governments in their respective fields, produce required products/deliverables and submit them to LGRP for review and approval.

According to the final evaluation of the Cost-Share Program II, LGRP-trained consultants have signed 111 contracts with 93 local governments to implement LGRP-developed management models. In comparison with the previous reporting period, the number of signed contracts has increased by 33 percent.

Focus	Number of Contracts
Asset Management	9
Citizen Participation	20
Economic Development	49
Finance Management	10
Information Management	23
Total	111

That the market for local consultants is becoming sustainable is supported by the fact that under Phase II of the Cost-Share Program local governments devoted over 2 million Kuna to hire LGRP-trained consultants. This is seen as a 133 percent increase in funding for consultancy services in comparison with Cost Share Program Phase I. While LGRP's financial contribution to the program has remained almost the same level, the number of local governments with signed contracts has increased by 24 percent.

	Phase I	Phase II	% Change
Number of Local Governments	75	93	24.00
Number of contracts	83	111	33.73
Funds allocated by local governments for contracts with LGRP-trained consultants through CSP (in Kuna)	876,484.45	2,047,952.13	133.66
Funds allocated by LGRP (in Kuna)	3,790,607.34	3,741,725.37	-1.29

- A general meeting of LGRP-trained consultants was held on April 19, 2005 in Hotel Dubrovnik, prior to HUKON's Annual Assembly. LGRP staff presented the results from a survey carried out among consultants that will help both HUKON and LGRP in providing support that is tailored to consultants' needs. The preliminary results from the Contracting Phase of the Cost-Share Program II were also presented. They should encourage consultants to try and negotiate higher contracting rates with local governments.
- Another activity to enhance the consultancy market was a joint HUKON-LGRP Task Managers workshop to develop professional standards for the implementation of LGRP's management models. The work was based on draft materials (draft quality standards) developed by HUKON's task force. The result of the workshop was an agreement on the final structure of the standards, the development of drafts of standards for all technical areas and a defined way of how standards will be utilized and enforced. As a follow-on to these activities, a final draft of the quality standards was developed with the support of TRG consultant Kathy Allison. The final draft was presented at a meeting with Anton Vidas, Secretary of HUKON, in June. Agreement was reached that the draft will be sent to members for comments, revised based on the comments and submitted for approval at the next HUKON Assembly in the fall.
- With a change of focus in activities enhancing the consultancy market to include various aspects of "outsourcing", LGRP management decided to conduct a research study to analyze the current status of the market. LGRP hired a consultant to conduct the research and met several times with the consultant to discuss the methodology. The consultant presented a general outline of the methodology and was then given the task of preparing a draft questionnaire and detailed methodology to implement a survey of local governments and an action plan.
- LGRP was working internally, with the support of Kathy Allison, on the concept of activities to enhance outsourcing in the market. The draft concept was developed at the end of her visit. The concept was then discussed with various partners. This included a meeting with CroNGO held in June on possible cooperation in promoting the local government outsourcing market. During the meeting, LGRP presented the concept of promoting an outsourcing market. CroNGO agreed to share contact information on NGOs providing services at the local government level (and to local governments). Specific areas of cooperation in that subject will be further discussed.
- In order to address logistics of the activities to enhance the outsourcing market, LGRP met with Zagreb Fair representatives and discussed the possibility of renting a venue to organize an Outsourcing Fair. During the meeting held in June, the concept of the Outsourcing Fair was presented and discussed.



Participants agreed that LGRP will submit a detailed description of the planned event and Zagreb Fair will provide an offer.

- During the quarter, economic development strategic plans (EDSPs) prepared with assistance from LGRP-trained consultants were adopted by the councils of the municipalities of Draganic, Brckovljani, Netretic, Zdenci, Veliki Grdevac, Ozalj, Vocin and Cadivica and the cities of Cakovec, Rugvica, Ivanic Grad and Lipik. This brings the total number of EDSPs adopted under LGRP's Cost Share Program Phase II up to 25.
- Drafts of the EDSPs of the municipalities of Nova Bukovica, Tompojevci, Kamanje and the cities of Dugo Selo, Zlatar, Brinje and Grubisno Polje were prepared and approved by the local government management boards during the quarter and will be adopted by the councils during the next quarter. An additional 10 EDSPs are now being drafted with assistance from LGRP-trained consultants and with the continuing monitoring and technical support (as required) from LGRP staff.
- With so many EDSPs completed and being implemented (the number should reach 75 by 2006), there is ever increasing demand for implementation support and for monitoring, evaluation and updating of the EDSPs. Therefore, LGRP disseminated its Guidelines for Monitoring and Updating EDSPs to all local governments that have prepared or are now preparing EDSPs and to all LGRP-trained economic development consultants.
- The draft LGPR-produced Guideline for Local Government Support of Agriculture-Related Development, which was submitted to USAID in January 2005, has not yet been approved and thus has not been sent to the ACE and RIEDA projects for comments, corrections and suggestions. LGRP hopes that the Guideline will be approved in the near future so that it can be finalized and disseminated and that USAID will allow the Project to proceed with the Guideline on Local Government Support of Entrepreneurship and SME Development (in cooperation with the ESP Project). Both of these Guidelines and a Guideline on Local Government Support of Tourism Development are needed by the local governments to support the implementation of their EDSPs.
- A draft Guideline for improved linkage of the EDSP process to the county-level Regional Operational Planning (ROP) processes was developed and is now being sent to ROP's consultants, selected ROP Project Management Unit staff and staff of the Regional Development Department of the Ministry of Sea, Tourism, Transport and Development (MSTTD) for comments prior to finalization and dissemination. The preparation of this draft guideline required extensive research of the ROPs experiences to-date and the plans of MSTTD to introduce a new system of regional development planning to establish a hierarchy of national and local development plans and meet EU requirements for regional development planning. This guideline is very important for the local governments and LGRP-trained consultants to better link the EDSP to the ROP which is planned to be a major conduit for nationally administered funds for local development projects (i.e. national budget funds, EU pre-accession and structural funds, funds from donor-financed projects being administered by national ministries, etc.)

- Based on the groundbreaking work initiated in Pasman and Ugljan islands for a joint EDSP for five municipalities, a first draft Guideline for Preparation of Multi-Jurisdictional EDSPs has been prepared. Meetings were conducted with the Economics Institute to collect information on its experiences in preparing multi-jurisdiction Strategic Island Development Programs (SIDPs) for 26 island local governments to incorporate in the guidance.

COMPONENT 4: TECHNICAL ASSISTANCE

Asset Management (AM)

- LGRP's Manual on Legal Bases of Local Government Asset Management has progressed substantially. The consultant tasked with the issuance of the Manual conducted workshops in the Vojnic cluster and the Đulovac cluster to identify the priority needs of the municipalities implementing the AM Model for additional information on the legal bases and how exactly to apply them. A separate workshop was conducted with LGRP-trained consultants to identify their needs and priority issues they have confronted in their work with local governments. The framework and general content of the manual/guideline have been agreed on and extensive materials, including formats and examples, have been compiled.
- Eight local governments are now implementing the Asset Management Model supported by the CSP II with continuous monitoring, evaluation and technical support from LGRP's AM Task Manager. The implementation of some contracts signed just prior to the March 31 deadline, including those with the Cities of Šibenik and Porec, were placed on hold until after the elections and the establishment of management boards and asset management task forces. These should now proceed.

Information Management (IM)

- The 19 local governments which have entered contracts with LGRP-trained Information Management consultants under CSP II are proceeding as planned.
- A new Quality Control System for monitoring the performance of CSP consultants has been installed and all LGRP-trained consultants have received training in how the system works. The consultants have also installed the automatic data collection features on all installed intranet-internet WA models in local and regional governments, so that data can be remotely collected to meet quarterly reporting requirements regarding system usage and cost reduction/cost avoidance.
- Using the Quality Control System as a reference, LGRP worked with LGRP-trained IM consultants to prepare draft IM Consultant Quality Standards for HUKON.

Citizen Participation (CP)

- The LGRP CP team, in cooperation with HUKON, developed a strategy for improving the market for local government consultants. One of the focus areas is an NGO Charter as a critical mechanism for



developing cooperation between NGOs and local governments and for indirectly improving outsourcing of NGOs through transparent financing procedures. The CP team will continue promoting this mechanism to other local governments through different means including a regional conference on good practices. The team has also developed a questionnaire to assess the practices of local governments, NGOs, business and other sector representatives in hiring and providing services to citizens and local governments. The results of this assessment will serve as a guide for developing LGRP's outsourcing strategy and filling the existing gaps in the market.

- As part of the outsourcing strategy, LGRP is looking into organizing a seminar on EU funds for task managers and consultants with the goal of providing specialized assistance to local governments on preparing project proposals and documentation to access EU funds.
- In order to ensure quality, the CP team started preparing guidelines for consultants implementing CP tools related to youth councils and youth policies in local governments. The guidelines will provide templates based on materials developed in local governments that have already implemented citizen participation tools. The CP team was providing individual consultations to CP consultants, e.g. to Borjanka Metikoš on facilitating four public spaces in Glina. Ms. Metikoš was assisted with different ideas for public spaces in Glina and drew the ideas on maps.
- Another activity to ensure the quality of consulting services was organized for CP consultants implementing the CP Model in Dalmatia. The CP team organized an Information Exchange Meeting with consultants to share information on the current implementation status of the model in five local governments in Dalmatia; develop a detailed division of responsibilities between Viscum, a consultancy firm, and LGRP consultants contracted to implement the CP Model in Omiš, Nin, Šibenik, Podstrana and Primošten; define the modes of technical assistance provided by LGRP's offices in Split and Zagreb; and provide an update on quality standards for the more complex tools, such as surveys, newsletters and transparent budget procedures. The meeting was completed with the following results: (1) An implementation strategy was developed for the governments in Dalmatia Primošten, Podstrana, Nin, Omiš and Šibenik); (2) Consultants learned how to utilize updated training materials.
- In order to enhance the consultancy market, LGRP task managers participated at HUKON's assembly/consultants' meeting and facilitated a small group that discussed the Code of Ethics, Strategic Plan and HUKON's future work. Task managers were also involved in developing a final draft of "Quality Standards". The CP team provided assistance to consultants in organizing and ensuring quality standards for the more complex tools, like citizen surveys, youth councils and public spaces methodology.

Financial Management (FM)

- Four significant events took place during the quarter that disrupted work under the Financial Management component of the LGRP. Local government elections prevented busy local governments staff from scheduling meeting with LGRP staff. Secondly, BearingPoint transferred Gordon Yurich to another USAID project and proposed a replacement expert who would have transitioned into the LGPR during May and June 2005. Thirdly, USAID did not approve replacing

Gordon Yurich. Finally, the planned trip of Eric Uggen, Bearing Point consultant, had to be postponed until July 2005.

- In April, the financial management team met with financial and IT experts from LGRP's partner city of Dubrovnik. Gordon Yurich, LGRP resident advisor, introduced participants to the main characteristics and attributes of the Croatian Budget System (CBS), and explained the purpose of creating a Data Warehouse database as an interface between local accounting software and CBS. Data Warehouse will be a tool for transferring data from local accounting software to CBS and vice versa. Unfortunately, due to the fact that financial staff did not properly adjust the accounting coding system to the CBS format, the transfer of data to CBS was not successful.
- Miroslav Alilovic, LGRP Procurement/Financial Management Specialist, identified and prepared a list of accounting software system vendors who could take over the CBS and disseminate it to local governments that already use their accounting software.

Public Procurement Process (PPP)

- In April, John Finnigan, BearingPoint Consultant, and Miroslav Alilovic presented the Public Procurement Processes Model in the City of Pakrac and Hrvatska Kostajnica. John Finnigan presented methods of Tender and Contract preparation, as follows:
 - Process of preparing tender documentation;
 - Tender implementation and selection of the best bidder;
 - Contract preparation and entering contracts methods.

Miroslav Alilovic presented basic public procurement principles, policies, and tools, which should be adopted by the City Council, as follows:

- I. Public Procurement basic principles
 1. Code of Good Customer Practice
 2. „Value for money“ principle
 3. Ethics standards
 4. Transparency and Accountability
 5. Environmentally Sustainable Procurement
 6. Risk management
- II. Public Procurement Policies
 1. Procurement Framework Policies
 2. Preparation of Tender Documents Policies
 3. Quotation and Public Tender Policies
 4. Evaluation and Selection Policies
 5. Approval and Notification Policies
 6. Contract Management Policies
- III. Efficient public procurement tools



1. Collaboration in Public Procurement
 2. Use of e-procurement system
 3. Benefits of regional e-procurement solution.
- All participants concluded that the presented materials are applicable, but the main obstacle to progress in the adoption of the proposed Public Procurement Processes Model by the City Council is the fact that the Council was dismissed due to expected local elections in May. Accordingly, we cannot expect any concrete steps before June at the earliest.
 - In order to ensure that the Public Procurement Processes Model is consistent with Croatian law, Branko Rabar, a Croatian lawyer, reviewed a set of procurement documents in April and harmonized these documents with current Croatian law. He will continue his work after LGRP and the Public Procurement Office reach a mutual agreement on the content of the Model.
 - In May, LGRP management met with Ms. Ritva Heikkinen, Sector Manager for Public Administration within the Delegation of EC. The LGRP presented the concept and general objectives of the Public Procurement Processes Model. Since the EC finances the project "Strengthening the Croatian Public Procurement System" within the CARDS 2002 Program, LGRP expressed an interest in mutual collaboration in this area, in order to avoid redundancy and overlapping of activities in the course of development and implementation of the above-mentioned model. LGRP management agreed with Ms. Ritva Heikkinen that all of LGRP's next steps in development of the Model should be taken in close collaboration with the Public Procurement Office and the CARDS Twinning Project "Strengthening the Croatian Public Procurement System".
 - In order to continue and emphasize the importance of collaboration between LGRP and the Public Procurement Office on the development of the Public Procurement Processes Model, Maris Mikelsons, LGRP CoP, and Miroslav Alilovic, Procurement/Financial Management Specialist, met on May 9 with officials from the Public Procurement Office. At the meeting, Maris Mikelsons underlined the following issues:
 - LGRP wants to share experience with Public Procurement Office.
 - LGRP's goal is not to recommend changes of the current Public Procurement Act.
 - LGRP's goal is to evaluate the problems local governments face in the implementation of the public procurement function and to develop methods to make procurement processes in LGs more efficient and effective.
 - LGRP wants to jointly explore the feasibility of the Model with PPO.
 - LGRP wants PPO to participate in LGRP's training program, which could be an indication of PPO's endorsement of the Model.
 - LGRP wants PPO to promote the Model on its website, which could encourage LGs and other public entities to utilize the Model's methods and tools.
 - Mato Regvar, Head of the Public Procurement Office, stated that the Public Procurement Office is looking forward to collaborating with LGRP and all PPO's staff will acquaint themselves with the Model and make necessary comments and suggestions.

- On May 10, Maris Mikelsons, LGRP CoP, and Miroslav Alilovic, Procurement/Financial Management Specialist, met with Mr. Mathias Mühle, Team Leader of the CARDS Project "Strengthening the Croatian Public Procurement System," and presented the main goals and objectives of the Public Procurement Processes Model within LGRP II, which are as follows:
 - Evaluate the problems local governments face in the implementation of the public procurement function and develop methods to make procurement processes more efficient and effective
 - Test and refine the Model in partner local governments
 - Work collaboratively with Mr. Mathias Mühle and his team in order to avoid any possible overlapping of activities with CARDS Project
 - Discuss the feasibility of the Model with the PPO and CARDS teams
 - After joined work, LGRP expects PPO's endorsement of the Model.
 - Jointly train at least 120 local governments.
- Mathias Mühle agreed with proposed strategy and pointed out an importance of having common standards in approaching the same subject, especially bearing in mind possible confusion of Croatian public entities in case of preparation and dissemination of different materials for the same topic. Due to Mr. Mühle's interest for our work on PPP Model LGRP sent him CD with all materials related to PPP Model.
- On May 23, in an all-day workshop, Maris Mikelsons and Miroslav Alilovic presented the complete Public Procurement Processes Model to officials from the Public Procurement Office. They introduced participants to the contents of the new comprehensive and hyperlinked Public Procurement Processes Model, as follows:
 - I. Framework for LGRP General Approach to the Model
 1. General strategies and goals
 2. Benefits of adopting new approach
 3. Course of developing the Model
 4. Challenges of public procurement
 5. Concept of the Model
 6. Implementation strategy
 - II. Public Procurement Practices for Local Governments
 1. Instructions and training guides
 2. Templates for simple tenders
 3. Templates for complex tenders
 4. Standard bidding documents
 5. Miscellaneous documents
 - III. Statement of Good Practice in Public Procurement
 1. Public Procurement Principles
 2. Public Procurement Policies
 3. Public Procurement Process
 - i. Identifying the need for the procurement



- ii. Procurement plan preparation
 - iii. Procurement strategy
 - iv. Conducting the tender
 - v. Awarding the contract
 - vi. Managing the contract
 4. Syndicated procurement
 5. E-procurement
- During and after the presentation, participants discussed the proposed components of the Model and agreed on next steps concerning further collaboration between LGRP and the Public Procurement Office. LGRP provided them with a sufficient number of copies of the Model (CD media). Mato Regvar, Head of the Public Procurement Office, stressed the fact that PPO is very interested in collaboration with LGRP, but the Office will be able to better focus on collaboration with LGRP after the adoption of amendments to the current Public Procurement Act, which is expected in July.
 - In June, Maris Mikelsons and Miroslav Alilovic met with Maria Vannari, The World Bank Senior Procurement Specialist, and introduced her to the concept, main activities and results gained through the implementation of LGRP's five management models. Maria Vannari was also introduced to the framework of LGRP's approach to the development of the PPP Model. The World Bank representative expressed her willingness for collaboration with LGRP in the phase of promotion and implementation of the Model in local governments. Since Maria Vannari expressed interest in reviewing the PPP Model, LGRP provided her with a complete package of the contents of the model. LGRP expects her feedback in the upcoming months.
 - During the quarter, Miroslav Alilovic developed the following manuals and guidelines as supplements to the PPP Model:
 - Service Demand Identification
 - Business Case Preparation Manual
 - Business Case Template
 - Risk Management Plan
 - Risk Management Checklist
 - Guideline for Evaluation of Offers
 - Model Matrix Evaluation of Offers
 - Tender Evaluation Report
 - Procurement Process Report
 - Contract Management Plan
 - In June, LGRP met with the Mayor of Koprivnica to discuss the possibility of implementing an investment project using the IPP methodology. The mayor was presented with a requirement to implement the IPP through preparing a concrete project for financing. He expressed interest to develop a water project and agreed to send already prepared documentation.

Organizational Development (OD)

- Direct technical assistance to implement the Organizational Development Model in the Partner Local Government – City of Slatina is progressing according to the schedule set in the Model Implementation Plan. The OD Model Team has continued implementing the steps of the Model Implementation Plan.
- A one-day workshop for the Slatina OD task force was conducted on April 5, dealing with the way the Top Management Team (TMT) has been functioning since the interventions had been implemented. The members of the TMT said they function much better as a team since they have regular weekly meetings. The workshop also dealt with revising the system of rewarding local government employees, as the current system of monthly rewards does not provide adequate incentives for improved job performance. The workshop helped the TMT to restructure the reward system so there is a direct link between job performance and the reward.
- LGPR technical staff conducted a one-day workshop on effective meetings on April 6 for all city employees. The workshop focused on the sharing of information (both within and between departments) and agreements on what information needs to be shared regularly and how often to have regular staff meetings.
- The LGPR conducted a two-day workshop for all local government staff on performance management on April 18-19. This workshop presented a performance management system consisting of three components: performance planning, performance monitoring, and performance feedback. These three skill areas are seen as one of the bedrocks of any well-managed organization. The workshop was highly participatory and skill-focused and served to provide a common framework and language system about the essential work processes; how work is planned and monitored; and how the monitoring then serves as the basis for feedback. The participants also discussed how they would apply the skills learned during the workshop.
- A half-day workshop on coaching for the top management team and other supervisors was conducted on April 20. Since coaching is primarily done by supervisors, this workshop was limited to those in supervisory positions. Coaching is in effect the fourth component of a performance management system and is focused on developing the skills to help employees address the gaps in their performance.
- A list of Recommendations has been created for the Mayor. The Recommendations should be used as guidelines for future reference in the area of Organizational Development in the City Administration.
- A one-day workshop was conducted on June 20, with the objective to take stock of the main organizational improvements over the past six months and determine the remaining organizational issues. The same occasion was used to present the Recommendations to the Mayor.
- A one-day Roundtable was organized in cooperation with the Zagreb School for Economics and Management on June 21, in order to present the design of the Organizational Development Model and its results in the City of Slatina to a wider audience. The Roundtable attracted a number of



academics, local government officials, researchers, MBA students and press representatives interested in local government issues.

- A series of interviews with Slatina City staff and members of the Top Management Team was conducted on June 25, in order to get their input on the content of the Performance Appraisal System that will be created and implemented in the Slatina City Administration. Based on their input, evaluation forms will be created during the summer and will be used to evaluate City Administration staff beginning with the fourth quarter of 2005. Before the evaluation begins, all staff will be trained on its use. The evaluation will from then on take place on a quarterly basis.

Economic Development (ED)

- LGRP facilitated the development of the City of Pakrac's EDSP which was adopted by the City Council in April 2005. In order to adopt the EDSP prior to the elections, the City Council agreed to adopt it at that time and later refine some of the outstanding supporting Action Plan. The supporting Action Plan and Log Frame matrices have since been completed and accepted.
- LGRP also provided direct technical assistance to facilitate the development of the EDSP of the City of Drniš which was adopted by the city council in April 2005. Subsequently, the Mayor of Drniš provided a brief introduction and a summary version of the EDSP in English to the USAID Mission Director Bill Jeffers and the SEED Team during their visit to Drniš on April 28.
- Meetings were conducted with the City of Rijeka to agree on LGRP assistance to facilitate an EDSP Update. Because of the great progress made by the City of Rijeka in implementing their original EDSP approved in 2001 and the subsequent "refresh" of the EDSP in 2004 and also because of the much improved economic environment in Rijeka, the city now wants to update the strategy. This update was included in the City administration's Guideline for its 2005-2009 mandate.
- The ED Team conducted an on-site evaluation of the impact of the Municipality of Vojnic's EDSP. This quick evaluation found that the municipality made substantial progress in the EDSP implementation over 16 months and was particularly effective in using the EDSP to justify a number of request for national ministry funding of local investment projects which were indeed funded. This evaluation will form a basis for broader impact analyses of EDSP implementation in all local governments with EDSPs.
- LGRP staff prepared and submitted an "LGRP II EDSP Status Report" to provide USAID with detailed information on the current status and projected timeframe of EDSP preparation and adoption in all participating local governments

Asset Management (AM)

- In the City of Karlovac, the Asset Management Task Force made a presentation to the City Council on April 5 on the progress made to-date, as of the completion of the LGRP consultants' current contract

for direct technical assistance. As of that date, the Task Force had inventoried over 3,500 assets, which it either owns or manages, including 840,000 square meters of buildings and 2,500,000 square meters of land. The Task Force is well organized and sufficiently trained to continue the work independently with limited assistance, especially if the city creates an Asset Management Department, as proposed.

- These results were also presented by the City of Karlovac to the USAID Director and the SEED Team in their visit on April 28. LGRP anticipates providing additional support to Karlovac after the election of the new mayor and the establishment of a management board to prepare a Comprehensive Asset Management Strategy, the first one ever in Croatia, to guide the longer-term application of the model.
- In the City of Split, substantial progress has been made by the Task Force in preparing an inventory of assets, classifying them and conducting preliminary valuation. Inventoried business properties and apartments alone are valued at approximately 108 million Euros. LGRP assisted the Head of the Asset Management Task Force to prepare a presentation on the work accomplished to date for the management board in order to galvanize the interest of the new administration after the elections to continue this important work. Mr. Grisogono, Head of the Asset Management Task Force in Split, also gave a presentation on the city's results to date to Mr. Thomas Medford, USAID Deputy Assistant Administrator for CEE, on June 14.
- Following the election of the new Mayor, a meeting was conducted on June 29 between the LGRP COP and AM Task Manager, the USAID Mission Director, USAID staff Arsen Yuric and the new mayor to secure the mayor's commitment to the further implementation of the AM model. The mayor requested that a presentation be made on the results to date for him and the new management board in mid-July.
- LGRP facilitated an exchange of experience in implementing the Asset Management Model between the Cities of Split, Karlovac and Varaždin. The workshop was held in the City of Split offices on April 28-29. The workshop provided staff from the three cities with an opportunity to exchange practical information on addressing technical, administrative and political problems faced in the Croatian environment as well as to discuss how to practically apply what they learned on the study tour to Germany.
- Preliminary discussions were held with the staff of the City of Rijeka regarding the possibility of introducing the AM model there. LGRP provided draft descriptions of the AM model for consideration of the new administration and for inclusion in their Guideline for the 2005-2009 mandate.
- In the two clusters of eight municipalities around Vojnic and Đulovac, progress has been uneven among the participating municipalities. While Vojnic is progressing very well, some of the municipalities with extremely limited staff resources are not making satisfactory progress despite extensive one-on-one support and efforts to redesign some of the standard asset management forms to make them more user-friendly for the smaller municipalities. While group training will continue for all participating municipalities in all remaining steps of the AM model, one-on-one support will be focused exclusively on those motivated municipalities that demonstrate adequate interest and effort.



In particular, Vojnic will continue to be assisted to develop a case to demonstrate what a municipality can accomplish.

- LGRP staff met with senior members of the SDP who are interested in championing a more systematic asset management approach in local governments in Croatia. Hrvoje Bertovic assisted Dr. Branko Grcic, Deputy Dean of the Split School of Economics, to prepare a presentation on Asset Management, which was delivered to the SDP Convention on June 26. All attending SDP mayors were encouraged to implement the AM Model. Hopefully, this heightened interest in asset management at the national political level will stimulate interest in legislation and/or regulations to support better asset management at the local level.

Information Management (IM)

- Direct technical assistance to the City of Vinkovci and the cluster of eleven municipalities around Okucani to implement the IM Model continued according to schedule.
- In Vinkovci, further improvements were made to the local area network and the installed IM model. Training for users at all levels is progressing according to the previously agreed on plan and a formal grand opening is planned for July 20.
- In the cluster of eleven municipalities located around Okucani, all 11 models are completed and ready for full installation. However, it was necessary to negotiate with T-Com to provide a broadband connection to Okucani so that the eleven municipalities could use the LGRP-designed low-cost "duplex" system and not have to each pay for a broadband connection. This is expected to happen in July. Meanwhile, training for the first and third levels of users is being conducted at LGRP's offices rather than on-site. A joint grand opening ceremony is planned for August.
- The new IM model has been installed at all existing sites and additional training on the new features of the model has been provided in selected sites. LGRP provided direct technical assistance to a number of local governments to install the new IM model as some sites have specific technical features that needed to be coordinated.
- During the quarter, major technical software applications and improvements to the IM e- government model were produced by LGRP and disseminated to local consultants. These included:
 - Organizational Monitoring System, which will give senior managers (mayors, deputy mayors, department heads) the capability to monitor the efficiency of employees. This feature was designed so that it can also remotely provide data to LGRP regarding network usage, both internal to the local government and between the local governments and citizens.
 - Quality Control System to monitor the performance of LGRP-trained IM consultants

Other improvements still in development and testing include:

- New SQL database system which is being developed to meet the needs of big cities and counties
- Project console for citizens where they can remotely do concurrent group work in documents, presentations, communicating at the same time is implemented and is now being tested.

Investment Project Packaging (IPP)

- The basic contents of the IPP Model were finalized for dissemination and consist of the following components:
 - An Investment Project Packaging “Resource Handbook” which is a 200-page compilation of technical materials related to IPP including Capital Investment Planning (CIP), local government credit-worthiness analysis, project definition and preparation, project level financial analysis, sources of finance and their application, legal bases of local government finance and investment project finance, among others. This is intended to be a resource handbook for practitioners needing in-depth explanation of the relevant topics. This Resource Handbook has been placed on the LGRP website.
 - A practical IPP “Quick Start Guide” which is an absorbable subset of the Resource Handbook that covers the basics of local government credit-worthiness analysis, project analysis and sources of investment project financing currently available to local governments in Croatia along with criteria and application forms. The “Quick Guide” is also placed on the LGRP website.
 - Master spreadsheets for local government budget forecasting and credit-worthiness analysis.
 - Master spreadsheets for financial analysis of specific projects (with masters for water, wastewater treatment and roads)
- A workshop was conducted on May 24-25 to disseminate these products to all Partner local governments implementing the IPP Model (Koprivnica, Crikvenica, Novska), local governments to which LGRP has committed to assist them to develop specific investment projects (Glina and Gvozd), other interested local governments (e.g. Duga Resa) and USAID staff Zeljka Zgaga. The objective of the workshop was to disseminate the methodology and motivate participating local governments to identify specific projects to which to apply the IPP model and secure investment project financing.
- Following the workshop, site visits were conducted to the mayors and staff of IPP partner local governments to obtain agreement to proceed with specific projects or delay IPP application until good projects are identified. In Crikvenica, the City does not currently have a suitably advanced project (i.e. with completed detailed design and permits) so it was decided to delay IPP application until projects are available. In Koprivnica, the city asked for immediate assistance to develop a wastewater collection and treatment project. Discussions are still continuing in Novska. In Duga Resa, which also attended the workshop, the city and surrounding municipalities are now preparing potential projects for discussion.
- A final draft of the Gvozd Market and Business Zone Feasibility Study and Cost- Benefit Analysis was completed for discussions with IMC, the EU CARDS-financed consultants to the ROP Project Management Unit of Sisacko-Maslavaška County. The draft is the basis for finalization of a standard



methodology for Cost- Benefit to be used for projects to be financed from EU CARDS funds through ROPs.

- Substantial progress has been made in collecting data required to prepare the Baltic Brdo water distribution project in Glina and in providing technical assistance and training to Glina staff to prepare a project financial analysis. This project was included in Sisacko-Maslavaška County ROP and was to have been financed with EU CARDS grant funds. However, the Sisacko-Maslavaška County PMU and Partnership recently decided to allocate all of the EU CARDS funds to a grant program and to three water projects in Petrinja, Majur and Novska, thus leaving the Gvozd and Glina projects to find alternative sources of funding.

Citizen Participation (CP)

- Direct technical assistance to partner local governments is proceeding according to or ahead of schedule.
- In order to improve citizen participation in local governments in the cluster municipalities, the CP team continued assistance to seven local governments (Majur, Topusko, Dvor, Sunja, Rijeka, Jasenovac and Donji Kukuruzari) in April. One year after signing the Memorandum of Understanding, seven municipalities from war-affected areas in Sisacko-Moslavacka County have developed and adopted their Citizen Participation Plans. Assistance was limited in this phase and was focusing on monitoring the implementation of the Citizen Participation Plans. The CP team also assisted Topusko in the preparation for Senator Vojnovic's trip to Croatia by preparing a package of material on Topusko.
- Results from improved information, communication and partnership with citizens were presented at the Celebration Ceremony held at LGRP's office in Zagreb through presentations, roundtable discussions and a special exhibition (reported in the previous quarterly report). The event was covered by reporters from Vecernji list, Vjesnik, Radio Novska, Obiteljski radio, Radio Quirinus, and others. Among the most significant results of improved communication and partnership with citizens is the initiation of an agricultural cooperative in Majur that attracted over 56 members from Majur and neighboring municipalities and involved over 650 people. The cooperative, which promotes sustainable agriculture regional cooperation, received 1.5 million HRK from the Norwegian government.
- Communication and cooperation between local governments and citizens in partner local governments have been improved through public events, transparent financing of NGOs and other activities. By now, over 10,000 citizens have been involved through various CP activities in the cluster.
- LGRP's assistance to the City of Rijeka has continued with a number of projects – NGO Charter implementation, community foundation, and two local partnership programs (MU:V and "Together to better life in Rijeka") So far, Osijek, Split and the Vukovarsko-srijemska counties have adopted the Rijeka model and are in various phases of implementation. In Rijeka, a Coordination Committee has been formed consisting of seven representatives from NGOs (five representatives) and the City (two representatives) who will officially meet in the fall. Next steps include the preparation of specific documents on the Committee's work and a document on NGO financing.

- With regard to another CP tool, the community foundation, the City agreed to appoint a coordinator for the start-up phase, promote the idea to potential founders and funders, select the Board members, start the registration process, etc. In addition, the local partnership programs were very successful in promoting the importance of citizen participation in planning and improving community public spaces. Over 20,000 citizens have been involved through these two programs in the past quarter alone.
- The CP team's continued assistance to the City of Rijeka on the partnership program for young people "MU:V" resulted in the sustainability of the project – it received financial support from the City of Rijeka in the amount of 60,000 Kuna for 2005. Next steps include work on the children playground, promotion of the 2004 winners and beginning of the incubator for winners of 2004 and 2005. There are ongoing discussions with the county, which could potentially bring more support for the MU:V (info portal and promotion of the MU:V on the islands). Different City and County departments have expressed interest in potentially funding some components of the MU:V. Assistance to Rijeka developed a good example of a well-functioning citizen participation tool, which is being utilized as a case study to educate other local governments.
- In the previous period, the LGRP CP team successfully completed initial tasks in the City of Koprivnica, which include a preliminary assessment of citizen participation, finalizing the implementation matrix with a special focus on youth and citizen surveys, and conducting several seminars for different sector representatives that attracted over 100 people each. A working group with almost 60 participants including representatives from all key youth groups and NGOs, as well as the City, has been formed. Considering that Mr. Mršić, Mayor of Koprivnica, has been re-elected, the situation related to the CP Model implementation will remain the same. Next steps include the implementation of specific tools, such as a citizen survey, which consists of two parts, a general citizen survey and a survey for youth. Survey results will be published and presented at the public forums. A framework for improving communication and cooperation with citizens and creating policy for including citizen participation as an integral part of local government's practices will also be presented. In addition, more specific work on developing youth activities and policy (e.g. youth councils) will continue in the next period.
- In order to further promote the citizen participation model, the CP team cooperated with the STINA news agency and utilized it to promote the model. In April, Momo Kuzmanovic prepared an article on "Transforming government to citizens service," which was published in the April issue of the STINA newsletter for local democracy. Along with the article, an interview with Marija Mackovic, Mayor of Jasenovac, and Milica Ljubicic-Kepcija on their experience was conducted and published in the same issue. In May, Mirna Karzen was interviewed by News Agency on public spaces. She prepared a written respond to STINA's interview conducted by Stojan Obradovic. The interview was published online in the newsletter "Glasnik za lokalnu demokraciju No. 10" on May 19, 2005. The publication has contributed to the promotion of citizen participation, especially the public spaces methodology.
- The CP team continued promoting the citizen participation model in other local governments. As a result, information tools (budget-in-brief, newsletters, guides through local government) are being published in a number of local governments all over Croatia. In this period, specifically, the local governments of Pula, Omiš, Pazin and Dvor published and distributed budget-in-brief, informing a total



of 71,000 citizens. The municipalities of Podstrana, Primošten, Veliko Trgovišće, and Marjanci published and distributed newsletters and other information materials involving over 13,000 citizens. In addition, as a result of LGRP's influence, the City of Zagreb has published and distributed informational brochures for each city quarter ("gradske četvrti") before the local elections. Some city quarters have also started publishing newsletters informing their citizens about key events in their neighborhoods (e.g. Maksimir).

- Deepening of the Model has continued in a number of areas including information and communication, public space planning, youth councils and citizen surveys.
- In order to further improve citizen participation tools for local governments, the Citizen Participation team promoted and enhanced the CP tool Public Spaces. The methodology on public space planning generated great interest among local governments, consultants, donors and other groups in Croatia who accepted this community-based approach as an alternative to the current, non-participatory approach. The CP consultants mobilized communities in the cities of Glina, Slatina, Osijek, Zagreb, Požega and many other smaller communities to participate in the planning workshops and create joint proposals for the revitalization of their community places. In some local governments, this was the first time ever to unite Mayors, urban planners, NGOs, and citizens in common efforts to prepare the best possible plan and improve the quality of life in their community.
- In April, a workshop on public spaces was organized in Baranja in cooperation with Project for Public Spaces. Over 40 people participated in the workshop from both Croatia and Serbia, including local representatives from the town of Zmajevac and the neighboring villages in Baranja. The workshop was attended by LGRP-trained CP consultants to see the good example of local community planning and participation. The workshop was used as an advanced training for CP consultants and LG representatives. LGRP plans to continue providing technical assistance to OGI (CP consultant Branislav Vorkapic) in the implementation phase.
- Another event promoting public space methodology was organized with the CroNGO Project led by AED. The workshop was organized for AED grantees, potential grantees and local governments interested in applying for a grant to develop public spaces. Over 25 participated, including representatives from 7 local governments (Majur, Dvor, Topusko, Sunja, Krnjak, Dugo Selo and Šibenik). Initial improvements can already be seen, which gives an additional boost to citizens and strengthens their partnership with local government.
- In order to further promote the public spaces methodology as very effective citizen participation tool, there were several materials developed for the workshops: a training manual, including guidelines for the implementation phase, and a brochure with case studies. The materials are serving as a basis to develop an LGRP manual on public spaces.
- LGRP's CP team is currently preparing a comprehensive training manual on "Citizen participation through public spaces" to be published in the fall. An article on public spaces was published in the STINA's local newsletter "Glasnik za lokalnu demokraciju No. 10" on May 19. Initial discussions for

organizing a lecture at the Pucko otvoreno učilište are on the way, bridging institutionalized and non-institutionalized forms of education.

- In May, Mirna Karzen continued work on a Public Spaces Manual. She focused on coordinating the process of collecting all relevant information and case studies and preparing a draft manual on public space development with PPS and CP consultants. As part of the preparation of the manual, she monitored and assisted CP consultants in the implementation process (e.g. Borjanka Metikoš in Glina) in order to develop quality Croatian case studies for the manual.
- In order to further promote another effective citizen participation tool, Youth councils and Youth Policy in local government, the CP team continued assistance to consultants working with local government interested in this tool (Oroslavlje, Donja Stubica and Slatina). Youth councils as local government's advisory body were constituted within the CSP CP Model implementation in the cities of Oroslavlje (200 young people voted), Donja Stubica (200 young people voted), and Slatina (760 young people voted). 1,200 people were involved in the whole process and more than 6,000 people were informed through local and regional media (radio, newspapers and the Internet).
- Another good example of improvements is Veliko Trgovišće, which implemented the Citizen Participation Model in 2004 with assistance from LGRP-trained consultants and adopted a Citizen Participation Plan. This year, the CP task force has continued to implement their action plans. The second issue of the local government bulletin was published in 2,500 copies and distributed to households. They also made the first successful step in improved communication with youth. A youth commission was established with young representatives who have started preparations for the foundation of local Youth Council. The Youth Commission has already mobilized students on removing waste from schoolyards and the surrounding space. Teachers, parents and local government representatives assisted these activities, which involved more than 100 young people and citizens.
- The CP team was further improving another CP tool, the Citizen Survey. Recently the Citizen Survey tool has been completed in Slatina and summary results were presented to the CP task force, the mayor and city government representatives. Results are generated from close to 600 questionnaires administrated by 50 secondary school students and 12 members of survey task group. In the whole process there were 700 people involved and close to 2,000 people were informed about survey goals and process. A public discussion on survey results will be the final step in CP Model implementation facilitated by LGRP consultant Anton Vidas with at least two outstanding results: youth council procedure and number of involved young people and citizen survey. The case of Slatina provided additional experience to further improve the tool.
- Good experience is also gained from the City of Koprivnica where final drafts of two surveys (general citizen survey and survey for youth) are developed and will be discussed and finalized by a citizen participation task group, the mayor and city representatives. Surveys are prepared within CP Model implementation (direct assistance) facilitated by LGRP CP consultants Zdravka Vuckovac and Andreja Kralj.



- A citizen Survey in Hrvatska Kostajnica was successfully implemented in October 2004. The final step, public hearing on results, was postponed for the post-election period. The action plan for the second phase of the CP Model implementation will be discussed and updated with the newly elected mayor, Tomislav Paunovic, his staff and community representatives in the first week of July. This would include a public presentation of survey results.
- In order to develop the concept of another citizen participation tool, the community foundation, LGRP task manager Mirna Karzen participated in a seminar on community foundations (CF) organized on April 6-8 in Plitvice by the National Foundation for Civil Society. During the seminar, different experiences and results in the start-up phase were presented. At present, only one of six community foundation initiatives is registered (Mi, Split), while others are in different phases of start-up and registration. Participants in the seminar discussed a strategy and different models for the CF in Rijeka and developed a list of options with potential conflicts of interest (see Challenges). LGRP is especially engaged in supporting City of Rijeka in launching this important CP tool.

COMPONENT 5: TRAINING

- In order to enhance the capacity of local government officials, LGRP met in May with representatives of the Norwegian Association of Local Governments and SAVEZ on the training of newly elected local government officials. SAVEZ presented the concept of the project: developing training materials, selecting and training trainers and conducting training for local governments. LGRP offered assistance, especially in defining the training needs based on the survey conducted among former local council members. LGRP agreed to provide SAVEZ with results from the survey of councilpersons being conducted by Prof. Ivan Grdesic to enhance their approach to training of newly elected local government officials.
- In order to advance public administration training (and on the other hand promote good results of development and implementation of Organizational Development Model), LGRP decided to organize a roundtable on Organizational Development in cooperation with the Zagreb School of Management and Economics. In order to coordinate activities, LGRP met several times with Nataša Rohatinski and Djuro Njavro from the School on the organization of Organizational Development Roundtable. LGRP presented the concept of the OD workshop (agenda, participants, etc.). The Zagreb School agreed to co-organize the event and provide the venue at the School's premises. The event took place in June and was very well received by participants from institutions of higher education and local governments.
- LGRP met internally on the status of the council members survey with Ivan Grdešić and Victor Wekselberg. During the meeting, Grdešić presented the results of collecting surveys and ideas for analysis. Victor Wekselberg presented his initial findings from the analysis. It was agreed to proceed with analysis and then a written report. LGRP requested preliminary results regarding training needs to share with SAVEZ.
- LGPR staff conducted a seminar on local economic development for MPA students at the Rijeka Faculty of Economics on April 29. Additionally, LGRP is preparing a workshop for local staff and

LGRP-trained consultants on EU Funding Sources and Preparing Projects for EU Funding. LGRP initiated discussions with Dr. Gjuro Njavro of the Zagreb School of Economics and Management regarding incorporation of the LGRP management models in the curriculum of the public management course. ZSEM is interested and discussions are continuing.

- At the request of USAID, Maris Mikelsons traveled to Dubrovnik to meet with the Dean of the American School for Management, Don Hudspeth. He expressed interest in the work of LGPR but did not find it relevant for his institution since it addresses education needs mainly in the area of hospitality and tourist management.

Twinning Program

- The third exchange was realized in the LGRP Twinning Program partnership between the City of Karlovac and Kansas City. The exchange took place on June 6 – 10. Three representatives from Kansas City traveled to Karlovac to continue work on the selected topics of cooperation. The purpose of the visit was to develop strategies and methods for investment attraction, job creation, eco-tourism development and to design a public-private partnership plan for the transformation of former military barracks to residential housing in the Karlovac area. The City of Karlovac also plans to prepare and disseminate a local economic profile brochure for potential investors and develop a community-based economic development strategic plan. Also, the Karlovac city administration intends to use the Kansas City *Livable Neighborhood Program* model to broaden and strengthen the neighborhood council engagement in public information campaigns and citizen participation in local decision-making.
- The members of the two partnership delegations created a joint Work Plan that describes the steps that need to be taken, as well as the resources, responsibilities and timeframe.

Media Outreach

- LGRP, together with UNDP/Croatia, organized a workshop for media representatives titled "The Role of Media in Local Democracy" on April 8 - 9 in Šibenik. The purpose of the workshop was to discuss strategies to better inform citizens about local government authorities and the impact of local elections on the functioning of local governments and to clarify the role of journalists in informing and educating citizens about local government functions and responsibilities. Twenty-six journalists attended the workshop.
- The workshop also announced the USAID contest for the best media report on local government affairs published/broadcast before and after the local elections of May 15, 2005 (between April 10 – June 15, 2005). The contest was open to all participants in the April 2005 workshop on the "Role of Media in Local Democracy". A total of 14 submissions were received from six journalists across the country. The topics ranged from local economic development, waste disposal issues, local business opportunities, the role of local governments and public education in the areas of special state concern and overlapping authorities between central, regional and local governments. Members of the jury who evaluated the submitted work were: Teodor Antic (UNDP's Local Government Project co-ordinator), Anđelko Erceg (Editor-in-Chief of the local weekly newspaper "Makarska kronika") and Suncica



Pleština (LGRP). The winner was "Glas Istre" reporter Kristian Stepčić Reisman. His article "Pre-Election Twists and Turns in St. Nedelja - More Independent Lists Than Parties" was published in "Glas Istre" on April 28.

- Kristian Stepčić Reisman of "Glas Istre" will participate in one of the upcoming Croatian-U.S. city twinning visits, which links American and Croatian local leaders and professionals in an effort to improve local governance and respond more effectively to local issues. Since the journalist is from Labin (Istria), he will participate in the fourth exchange trip of Istrian cities of Labin, Buzet and Pazin to NE Oregon (cities of La Grande and Pendleton and Union County) scheduled for late September/early October 2005.
- LGRP's Media Specialist took part, together with Maša Kovacevic, UNDP's Local Government Project assistant, in UNDP/Croatia's weekly radio show on Radio 101 (leading regional radio station) "Strength of Co-operation/Snaga suradnje" (Tuesdays from 7-8pm) to promote the outputs of the workshop.
- "Vecernji list", national daily newspaper with highest circulation, agreed to contribute toward promoting the joint Office for State Administration and SAVEZ "Best Practice in Local Government" Program and local government. Journalist Nikola Sever Šeni was assigned to write the article about Best Practice projects. A total of 10 "Best Practice" stories from 10 cities/municipality (the awarded Crikvenica, Koprivnica, Labin, Opatija and Rovinj, as well as Osijek, Kneževi Vinogradi, Slatina, Kutina, Rijeka, acknowledged for the "special contribution to the development of local government") were collected and sent to the journalist. The work on publishing the article intensified in June when the LGRP provided "Vecernji list" journalist with additional data, contacts and names of the awarded local governments, pictures, project logos, etc. It was agreed that the article would be published in Saturday edition of "Vecernji list" on July 2. In the meantime (from April – June) the editor in chief was recalled (Ružica Cigler) and new editor in chief appointed. This internal change resulted in the delay in publishing the article (article has been written and prepared and is still awaiting the printing).
- LGRP's Newsletter, Issue 3 *Special Edition* was issued on June 1 (Circulation: 1,500 copies). This edition of the newsletter features 10 success stories of the Project's work with partner local governments over the last year. There has been a great demand for the Newsletter judged by subscriptions received through LGRP's website.
- LGRP's Media Outreach Specialist prepared a "Glossary of Communication/Public Relations Terms" in May for the use of LGRP staff.
- STINA, a Split-based news agency, issues a monthly "Local Democracy Newsletter" (Glasnik za lokalnu demokraciju) available electronically at www.stina.hr. Issue 11 (June 2005) featured an article on "Public Relations in Local Government" by LGRP's Media Outreach Specialist.
- LGRP prepared a press release (June 2) announcing the visit of Kansas city officials to Karlovac from June 6 – 10 in the framework of the LGRP Twinning Program. Upon USAID's approval and release at the US Embassy website on June 7, the press release "Karlovac And Kansas City Partner For Local Economic Growth" was sent to LGRP's media contacts. Karlovac and Kansas City officials began their

cooperation in November 2004. This is the third of six planned visits over the next year. A press conference on the progress of the Karlovac-Kansas City partnership also took place in Karlovac on June 10. The LGRP Media Outreach Specialist worked with the Karlovac PR officer Maja Purgar to organize the event.

- LGRP's Asset Management Model implementation (work of LGRP's Asset Management Specialist Hrvoje Bertovic) in Split received a lot of media attention. The regional daily newspaper "Slobodna Dalmacija" published two consecutive articles on this topic, "City asset inventory created - City spaces worth around 100 million Euros" on June 4 and "Inventory of city spaces and flats reveals weak policy - Because of the favourable rent, the city annually loses 1,42 million Euros" on June 16. The author was Marina Protic, participant in the LGRP study tour on "Citizen Participation in Local Governance" to Cleveland, Ohio in October 2004. She is a "Slobodna Dalmacija" reporter who has recently been appointed as Head of Split Mayor's office and a City of Split spokesperson.
- LGRP's Samir Memic and Suncica Pleština, together with HUKON's secretary Anton Vidas, met on June 15 with graphic designer (Bambi Bold) to discuss the layout and structure of HUKON's website www.hukon.hr. The provisional website design was created and the site is currently "under construction".
- Zagreb School of Economics and Management (ZSEM) together with LGRP, and in co-operation with Cleveland State University worked in June to prepare a joint ZSEM/LGRP seminar on Local Economic Development scheduled for the July 12 – 14 period. The lecturers at the seminar are LGRP's Economic Development Specialist Vesna Tomašević and Dean of the *M. G. Levin College of Urban Affairs* from Cleveland Mark Rosentraub. LGRP's Media Outreach Specialist worked with the head of ZSEM's Center for Public Administration Management Nataša Rohatinski to define the layout of the leaflet/brochure (English and Croatian version), tactics to promote the seminar such as: announcement/invitation for media representatives, etc. LGRP also provided the ZSEM with the mailing list of local governments (a total of 65 cities/municipalities) to be invited at the seminar (the selection criteria was: 10,000 inhabitants and above). Invitation letter, application form and info leaflet was sent (fax, e-mail, regular mail) by the ZSEM on June 23. LGRP prepared the announcement and invitation letter for media representatives and provided ZSEM with the list of LGRP media contacts (66 selected journalists). ZSEM sent the media announcement for the event on July 8 (e-mail, fax). USAID agreed that the cost of the workshop for local government officials would be funded by the LGRP.

Other LGRP Activities

- In order to support Croatia's NGO Development Program (CroNGO) funded by USAID and implemented by AED, Miroslav Alilovic reviewed a Concept Paper and completed Full Proposal for the AED project "Promoting fiscal transparency of local government in Croatia" prepared by ZaMirNET Zagreb. He made comments and suggestions for improvement of the project design and potential impact of the proposed project on Croatian society. He suggested several new activities, which also should be addressed by the project.
- On May 12, Miroslav Alilovic attended a presentation of the book *Policy Analysis: The Secret Process of Public Procurement in Zagreb* prepared by the Croatian NGOs B.a.B.e.-Women's Human Rights Group and PSD-Partnership for Social Development through analysis of several affairs related to public



procurement processes in Zagreb, in which almost all members of the City Board were involved. The findings confirmed that LGRP's approach to public procurement issues in Croatia is correct and methods and tools developed in PPP Model will help local governments to make procurement processes more transparent and efficient.

- On June 30, the LGRP financial management team met with Jim Shultz and Albert Van Zyl from the International Budget Organization (branch office of Center on Budget and Policy Priorities) and introduced them to LGRP's achievements in promoting transparency in budget preparation and execution processes. LGRP introduced them to three main activities that are part of the Transparent Budget Model, which best support the goal of increased transparency. LGRP also informed them about the fact that more than 100 Croatian local governments use the above-mentioned tools in budget preparation processes. LGRP provided them with several LG's Budget-in-Brief brochures and emphasized that the majority of local governments promote budget on their websites.

Cooperation with Other USAID Projects

- Bill Kugler, Hrvoje Bertovic, and Maris Mikelsons met with John Glover, Chief of Party of the USAID Privatization Project, to explore areas of possible synergies and cooperation between LGRP and the Privatization Project. There may be opportunities in the future for joint workshops in selected local governments to better inform and involve local governments to support/facilitate privatizations within their jurisdictions (e.g. in Šibenik, Karlovac).
- The LGRP ED team is cooperating with the USAID ESP Project in the FDI Facilitation and Zone Management Benchmarking Exercise. The objective of the exercise is to create a methodology for evaluating the performance of existing industrial estates and business zones in attracting foreign direct investment and to make practical recommendations on how performance can be improved. Senka Remic, LGRP economic development specialist, is participating as an active member of the team and brings extensive local experience and insights to the team's work. Following three weeks off site research, the results will be presented and discussed in mid-July.
- During the reporting period, LGRP participated in the USAID Quarterly Review and presented two topics (at the request of USAID). One topic was a presentation of the approach to work in the area of asset management and the other area was public procurement. The other topic was presentation was LGPR contribution to the local government policy matrix formulated by USAID to advance the policy dialogue.

II. PROGRESS OF MAJOR ACTIVITIES

Policy Dialogue and Legislative Change

Local elections

Local elections took place on May 15, 2005. Political parties started their pre-election campaigns in late April until the day of elections. According to the current Law on Election of Members of Representative Bodies of Units of Local and Regional Government, local councils are required to hold a constituting session within 30 days from the day of elections and a mayor is to be elected by the council among elected council members. Legal provisions are not completely clear when it comes to the deadline for election of mayors, so most local governments elected a mayor within the deadline for constituting of a council while others have challenged this provision claiming that mayor can be elected within 30 days from the day of constituting of a council.

Since the Government Office for State Administration (CSOA) is directly responsible for legislative issues related to local elections, the relationship between LGRP and CSOA was less intensive from the beginning of the reporting period until the second half of June.

Decentralization Commission

One meeting of the Decentralization Commission (DC) was held during reporting period.

On May 23, the main focus of the DC meeting was to advance discussion of LGRP-submitted Operational Guidelines. Antun Palaric, State Secretary of CSOA, presented Operational Guidelines to the members of DC and requested members to review document and deliver comments in advance of following meeting. Members of the DC has also discussed the issue of establishment of Expert Groups to support work of the Commission in line with LGRP recommendations. Representatives of several Ministries were supportive of decentralization in the areas of healthcare, social welfare and education to large cities (with population above 40,000).

Members of the DC were invited to a second meeting, which was scheduled for June 28. Maris Mikelsons was also invited to present "Challenges of Decentralization" at the session in order to educate members about key issues related to decentralization which should be taken into consideration and/or addressed. According to the Agenda, DC was to establish Expert Groups for:

- Legal framework for decentralization
- Healthcare
- Education
- Social Welfare
- Economy and Development
- Agriculture
- Supervision, and
- Finance



Furthermore, the agenda called for the DC to discuss comments to LGRP proposed Operational Guidelines. However, due to CSOA's efforts related to change of legislation, this meeting of DC was postponed.

Local Government Academy

CSOA is very interested in establishing an Academy of Local Democracy, as a training facility or assessment of training needs for local government officials and staff. CSOA envisions the Academy as a joint project of CSOA and SAVEZ with partial funding coming from the State Budget.

According to Antun Palaric, the Government of Croatia and SAVEZ have supported the idea of establishing the Academy. Moreover, the draft Law on Local and Regional Government calls for the establishment of the Academy as a joint institution of SAVEZ and the central government with funding from the State Budget in the amount of one million Kuna. At this point, CSOA will secure funding from the State Budget and assistance in refurbishing the premises of the Academy. They are looking to SAVEZ to provide premises for the Academy and help CSOA define the curriculum, and identify trainers and a training strategy. On the other hand, CSOA is seeking Donors' assistance (World Bank, USAID/LGRP, EC, CoE, OSI) for literature, training materials and equipment.

LGRP has already provided the management models manuals to CSOA for inclusion in the training curriculum and has committed to assist in the establishment of the Academy with a study tour to a third country that has a model local government training facility, the organizational development of the Academy, and management training materials based on the work of the project.

As soon as SAVEZ elects its new leadership, CSOA will start discussion with SAVEZ on strategy, curriculum and other issues related to the Academy.

The European Commission's Support to Administrative Decentralization

The European Commission (EC) stands ready to support administrative decentralization with 1.5 million Euros of technical assistance under CARDS 2003. This "Administrative Decentralization" project would support the work of the Decentralization Commission and Expert Groups as well as provide limited assistance to the Local Government Academy.

CSOA prepared a first draft of the Terms of Reference (ToR) for the CARD's Project over a year ago. In the opinion of EC, the draft ToR needed much improvement to address the decentralization process as suggested by LGRP in the Operational Guidelines. LGRP has offered assistance in drafting a revised ToR for CSOA, which was accepted by Nives Kopajtich Skrlec, Head of Department for Structure of Local and Regional Government. The LGRP submitted a revised ToR to CSOA in late June to act as a basis of advancing the EC CARD's "Administrative Decentralization" project.

Training for Key CSOA Staff

As Croatia moves towards decentralization of responsibilities to local governments by means of DC and Expert Groups, a series of guidance documents and recommendations will be produced. In order to effectively implement the recommendations, the current legislative framework will have to be amended and CSOA will play a key role in this legislative change.

To increase the capacity of CSOA to produce new legislation or amendments to existing legislation, which will generate a coherent legal framework for local governments in a decentralized environment, LGRP, with USAID's concurrence, decided to send a CSOA key legislative staff person, Ms. Kopajtich-Skrlec, to training at the International Legislative Drafting Institute (ILDI) in New Orleans, USA in the period June 13-26. ILDI is organized by Public Law Center of Tulane and Loyola Law Schools.

ILDI consisted of lectures, readings, roundtable discussions, drafting exercises, instructional site visits, computer research, training in the use of word processors (including exposure to the Internet and legal research databases), and individualized student-faculty conferences. Participants study a variety of legislative instruments, including constitutional amendments, ordinances, appropriations, agency regulations (or "subordinate legislation" in many jurisdictions), and committee and floor amendments. Participants received instruction in diverse aspects of the legislative and administrative processes of government, such as the ethics of drafting, confidentiality, lobbying, and matters of style (gender-neutral language, grammar and punctuation).

Legislative Change

In April 2005, CSOA prepared a draft Law on Territories of Counties, Cities and Municipalities by which numerous amendments to the Law from previous years would be consolidated, several new local governments established, and a procedure for the establishment of new local governments changed. The Law was approved by the Government but was not passed by Parliament because of lack of a qualified majority of members of Parliament.

In June 2005, CSOA prepared a final draft Law on Local and Regional Government. Some of the key features of the law are to establish "large" cities (with population of 40,000 and above); establish a Local Government Academy as a joint project of CSOA and SAVEZ; institutionalize Best Practice in Local Governance as a joint award of the Government of Croatia and SAVEZ; decentralize parking regulations to all cities; and decentralize location and construction permitting to "large" cities and county seats. Many of these key features were included in the final draft as a result of joint advocacy efforts of SAVEZ and LGRP. However, several comments provided by SAVEZ were not accepted in the drafting stage. The Law will be sent to Government procedure in early July and probably to parliamentary procedure before the Parliament's summer break.

As a result of the relatively negative public image of post-local election coalition building and mayoral elections, CSOA decided to submit a Law on Direct Election of Mayors to Governmental procedure. The draft Law calls for direct election of chief executive at large through a two-round absolute majority system.



The Law will come into effect as of the next local elections and any early elections will be carried out under the existing local elections law. LGRP has provided assistance to CSOA in 2004, early in the process of drafting the mentioned law. However, there was no public debate or other expert input in the preparation of the law, which was particularly emphasized by the citizen advocacy group GONG. Therefore, LGRP will provide additional comments (and technical assistance, if accepted) to CSOA for the preparation of the final draft of the Law.

CSOA has also decided to submit the Law on State Electoral Commission to Government procedure. This Law calls for the establishment of a permanent professional State Electoral Commission which will be in charge of electoral legislation and a voter registration. The President of the Commission would be elected by the Parliament on a competitive basis for a mandate of eight years.

III. DELIVERABLES AND REPORTS

"Implications of EU Accession for Local Governments." Joint publication with the Institute of Public Finance

"Local Self-Governments in Croatia: Diagnostic Review and Proposals"

IV. PROBLEMS OR DELAYS AFFECTING PROJECT PERFORMANCE

The local government elections took place on 15 May in Croatia. Following the elections, coalitions are formed to determine the political composition of councils. Once councils are formed they elect the mayor. In this regard, the LGRP experienced, during the reporting period, less frequent contact with partner local governments and other local governments due to coalition building and elections of the mayor. (In fact, in the City of Karlovac, the elected council has not decided on a mayor to date.) LGRP anticipates that local government involvement with coalitions building and elections of the mayor will preclude a timely execution of work plans with each partner local government.

V. MAJOR WORK PLANNED FOR NEXT REPORTING PERIOD

COMPONENT 1: POLICY DIALOGUE AND REFORM

- LGRP will maintain its relationship with the State Office for Public Administration and continue to provide assistance in three areas of interest: intergovernmental cooperation, direct elections of the mayor and decentralization. (The involvement of LGRP consultants in direct assistance depends on government decisions to proceed with above topics). The LGPR intends to conduct a presentation on the Operational Guidelines for the Decentralization Commission during the quarter.

- LGRP will continue to provide assistance to the EC office on developing a terms of reference for the Administrative Decentralization project under CARDS at the request of the Office for State Administration.
- LGRP staff and consultants will plan to disseminate "Implications of EU Accession for Local Governments." LGRP, in cooperation with its partners (Association of Cities and Municipalities, State Office for Public Administration, etc.), will conduct this dissemination effort, which will focus on various methods including roundtables, and broad based media and public campaign.
- LGRP will promote the output of the Best Practice Program for local governments through a wide dissemination effort to include major newspapers and other media. This work is planned in cooperation with the Union of Association of Cities and Association of Municipalities, the State Office for Public Administration and the Council of Europe.

COMPONENT 2: ADVOCACY OF LOCAL GOVERNMENT INTERESTS

- LGRP will work with SAVEZ to further disseminate information on Best Practice using national daily newspapers.
- LGRP, working with ICMA/Virginia Municipal League consultants, will build upon previous workshops on communications and help SAVEZ improve its relations with members and media to increase the visibility and effectiveness of their efforts and events.
- LGRP will explore with SAVEZ ways in which SAVEZ can better achieve its goals by contracting a public relations firm and research organizations to support advocacy.

COMPONENT 3: DEVELOPMENT OF A MARKET FOR LOCAL GOVERNMENT CONSULTING SERVICES

- LGRP will continue developing concept of activities to strengthen the outsourcing market. Work will begin to identify interventions including regional conferences and outsourcing fair.
- LGRP will conduct follow-up training for consultants in each technical area to evaluate the results of training courses and address training needs that have been identified by consultants and the LGRP team.
- LGRP will continue to build demand for LGRP management models. The LGRP will launch a wide dissemination campaign to promote its management models to as many local governments as possible.
- LGRP will continue assisting the Association of Local Government Consultants with in-kind support and technical training. Some of activities planned are providing the Association with business skills and advice on sustaining its financial base.



- LGRP will provide technical oversight and support of local consultants that continue to implement one or more of the management models under the Cost Share Program Phase II or at full cost.
- LGRP will finalize and disseminate the Guidelines for EDSP-ROP Linkage.
- LGRP will conduct training events for local consultants in the areas of ED, IM and AM.

COMPONENT 4: TECHNICAL ASSISTANCE

- LGRP will assess the impact of local government elections (such as a change of mayor) on its partner local governments and plan a strategy on how to advance work in light of the slowdown experienced in the pre-election period.
- LGRP will complete work on linking existing accounting software systems and CBS in Duga Resa and Dubrovnik.
- Gordon Yurich, Bearing Point Resident Advisor, and Eric Uggen, Bearing Point IT Consultant, will complete the Documentation User Manual for the CBS.
- Gordon Yurich, Bearing Point Resident Advisor, and Eric Uggen, Bearing Point IT Consultant, will complete the Documentation for implementers of the CBS.
- Gordon Yurich, Bearing Point Resident Advisor, and Eric Uggen, Bearing Point IT Consultant, will conduct a series of training for LGRP financial management staff to instruct them on the use of the CBS.
- LGRP will conduct a presentation for identified accounting software companies on the application and use of the CBS in local governments by using working systems from Duga Resa and Dubrovnik as demonstration models. After an orientation presentation, LGRP will provide individual technical assistance to the software companies on the use of the CBS and linking of the CBS with their accounting software systems.
- LGRP will integrate its Cost Share Consultants into the implementation of the CBS as consultants to the various software companies.
- LGRP will collaborate with Mr. Mathias Mühle, Team Leader of the CARDS Project "Strengthening the Croatian Public Procurement System" in order to harmonize Public Procurement Processes Model with his comments and suggestions.
- In order to harmonize the Public Procurement Processes Model with The World Bank's Country Procurement Assessment Report for Croatia, LGRP will actively collaborate with Maria V. Vannari, World Bank Senior Procurement Specialist.

- LGRP will organize a series of meeting with the Public Procurement Office in order to discuss and explore the feasibility of the Public Procurement Processes Model. By the end of the quarter, LGRP expects endorsement of the model by the Public Procurement Office and its active participation in a program of training local governments officials.
- LGRP will continue testing/refining the Public Procurement Processes Model in partner local governments (Bjelovar, Pakrac and Hrvatska Kostajnica), taking into account received comments and suggestions on the Model from the Public Procurement Office, the CARDS Program and the World Bank.

Economic Development

- LGRP will continue advising Slavonski Brod, Drniš, Gvozd and Pakrac (which have recently adopted EDSPs) on developing appropriate organizations to manage the implementation of the EDSPs, as well as establishing mechanisms for monitoring and evaluation of EDSP implementation. To the extent possible, LGRP will provide information and referrals to local governments on what technical, training and financial resources are currently available to them to support the implementation of their priority interventions.
- In Rijeka, LGRP will initiate the facilitation of an Updated EDSP for the City of Rijeka.
- LGRP will facilitate the initiation of the EDSP process in the City of Karlovac at their request.
- Assuming USAID approval is given to proceed, the Guidelines for Local Government Support for Agriculture-related Development will be sent to ACE, RIEDA and other interested projects for comments and suggestions and the document will be finalized for distribution to local consultants and local governments with EDSPs. Work on the Guideline for Local Government Support of Entrepreneurship and SME Development will be initiated.
- The Guidelines for EDSP-ROP Linkage will be finalized and disseminated to local ED consultants and all local governments with EDSPs.
- LGRP will assist the ESP Project to finalize the FDI Benchmarking Exercise and disseminate the results.

Asset Management

- In Karlovac, LGRP will provide limited technical advice, as required by the Task Force, to continue with the implementation of the AM model. If officially requested, LGRP stands ready to provide additional consultant support to assist Karlovac in developing a Comprehensive Asset Management Strategy.



- In Split, through a continuation of the bi-weekly workshops, assistance will be provided to further elaborate the inventory, complete classifications, collect property-level financial data and provide training to the Task Force through a limited number of applied examples of valuation and financial analysis.
- LGRP will provide training to the 8 municipalities in the Vojnic and Đulovac clusters to complete the remaining steps of the model. However, continuing one-on-one assistance will be focused on Vojnic to develop a good case of what can be accomplished in asset management by a municipality that is sufficiently motivated to aggressively implement the model. Should any of the other participating municipalities demonstrate adequate motivation to continue with model implementation, they will be provided with further advice. Otherwise, LGRP AM resources will be diverted to higher potential target cities.
- The final draft study and manual on Legal Basis for Local Government Asset Management will be reviewed with local governments and LGRP-trained AM consultant to ensure it meets their needs in the field.
- LGPR will pursue potential opportunities to implement the AM model in Rijeka and Drniš.
- LGPR will disseminate the second edition of the Asset Management Manual

Information Management

- The e-government model of Vinkovci will be formally inaugurated on July 20. Training of users at all levels will be completed in accordance with the agreed upon plan.
- Following the establishment of broadband connection in Okucani and final testing of the system, the e-government model of the 11 municipalities around Okucani will be officially presented to the mayors in a workshop in August. Extensive training events will be completed in accordance with the agreed upon plan.
- Target counties will be identified to implement countywide installation of the IM model at local governments within their jurisdiction. Initial activities will be undertaken for countywide installation.
- There will be continued modifications of the WA model coding according to new standards of the World Wide Web Consortium (W3C) to keep the model abreast of current technology.
- LGRP will complete the new SQL database and Project Console for IM model.

Investment Project Packaging

- LGRP will finalize the Gvozd Market and Business Zone Feasibility Study.

- LGRP will finalize the Glina Baltic Brdo Water Distribution Project Feasibility Study.
- LGRP will assist Gvozd and Glina to identify alternative sources of funding.
- Assuming Koprivnica finalizes the detailed design permits for the wastewater collection and treatment project and commits to seek external financing in the near future, LGRP will prepare the draft Feasibility Study.
- LGRP will work to identify other projects with high probability of securing funds that require Feasibility Study /Cost-Benefit Analysis (e.g. projects included in the 4 newly completed ROPs, projects that meet MSTTD/EIB program criteria, projects submitted to the Regional Development Fund.)

Citizen Participation

- LGPR will continue providing assistance to CP consultants (Dalmatia, Koprivnica, and others) and monitoring their work to ensure the quality of consultants' services. LGRP plans to organize information exchange meetings during the next quarter.
- LGPR will continue collecting data on CP implemented tools, the number of citizens and local governments involved in recent implementation of activities to improve citizen participation through the Cost-Share Program II and through direct assistance: data on results and products from local governments involved in CSP I and from those, which have implemented some of LGRP's CP tools or methods outside of CSP and without direct assistance but were influenced by the results accomplished in our partner local governments.
- LGPR's citizen participation team will enhance the Public Spaces CP tool by developing a manual.
- LGRP will help promote the NGO Charter tool by assisting the City of Rijeka in preparing the draft Act on Transparent Financing and other implementation documents. The LGRP will collect relevant materials on the Committee's operations and transparent financing.
- LGRP will enhance the Citizen Survey tool by assisting consultants working on surveys (Vidas – finalization in Slatina, Vuckovac & Kralj – training for interviewers; Vorkapic, Bijelic& Kumpar) and develop guidelines for the whole survey implementation process.
- LGPR will enhance the Youth Council tool by collecting updated reports on Youth Councils developed through the implementation of LGRP's CP Model and start developing a Youth Councils Manual for local governments.
- LGRP will continue exploring different options of activities for creating a market for CP consultants and promoting local governments to hire NGOs and consultants as part of its Market for Local Government Consulting Services component.



- LGRP will assist HUKON in public discussions on Croatian Draft Law Proposal for the Youth Councils. This work will involve the preparation of the key elements of the LGRP methodology related to youth policies in local governance and youth council as citizen participation.
- The LGPR CP team will continue monitoring the CP cluster in the implementation of plan activities in light of changes in the councils and boards. This will include advice on the implementation of action plans developed during World Learning's Study Tour to the USA in October 2004.
- The LGRP will revise and prepare the second edition Citizen Survey's Manual both in English and in Croatian. The manual will include revised text with new survey reports and case studies from a recent LGRP survey in Croatian cities (Hrvatska Kostajnica, Slatina).
- LGRP will continue providing direct assistance to Hrvatska Kostajnica for the implementation of the CP Model to establish regular weekly communication with newly elected city governments. This will involve organizing an orientation seminar on CP and creating a task group to develop a Citizen Participation Integral Plan.

COMPONENT 5: TRAINING

- LGRP will continue to explore opportunities to incorporate the GRP Management Models in the Graduate City Management Course of the University of Zagreb, the Public Administration Course of the Zagreb School of Economics and Management, University of Zadar, and other interested institutions of higher learning.
- LGRP management will visit partner local governments (and also other local governments that work with the LGPR in other components) in light of changes in the leadership of the local governments after the elections.
- LGRP will continue its collaboration with USAID's Privatization Project by involving the staff of this project (e.g. as guest presenters at LGPR workshops) in its work in the area of asset management.
- LGRP will cooperate with the USAID Enterprise and SME Performance Project in the Benchmarking Exercise for foreign direct investment (FDI) related to facilitation and Industrial/Business zones in local governments.

Attachment

Cost Report